

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 14, 2021

3:18 p.m.

DRAFT

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder (via Teams)
Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CONFIRMATION HEARING(S) :

Alaska Workers' Compensation Board

Dave Talerico - Healy

- HEARD

Board of Pharmacy

Justin Ruffridge - Soldotna

- CONFIRMATION(S) ADVANCED

Board of Veterinary Examiners

Rachel Bergartt - Juneau

- CONFIRMATION(S) ADVANCED

Board of Certified Real Estate Appraisers

Mae Hayes - Wasilla

- CONFIRMATION(S) ADVANCED

INFORMATIONAL HEARING(S): State of Alaska's Infrastructure

- HEARD

INFORMATIONAL HEARING(S): Unemployment Insurance Software

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAVE TALERICO, Appointee
Alaska Workers' Compensation Board
Healy, Alaska

POSITION STATEMENT: Spoke as an appointee to the Alaska Workers' Compensation Board.

MICHAEL PARTLOW, Capital Budget Coordinator
Division of Legislative Finance
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Presented a PowerPoint during the informational hearing on the State of Alaska's Infrastructure.

CHARLES MCKEE
Anchorage, Alaska

POSITION STATEMENT: Provided comments not on topic with the published agenda.

NILS ANDREASSEN, Executive Director
Alaska Municipal League
Juneau, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

DON ETHERIDGE
American Federation of Labor-Congress of Industrial Organization
Juneau, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

DAVE O'DONNELL, Project Manager

Watterson Construction
Anchorage, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

CRAIG DAHL, Executive Director
Greater Juneau Chamber of Commerce
Juneau, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

JINNEL CHOINIERE, Chief Executive Officer
Greater Fairbanks Chamber of Commerce
Fairbanks, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

DAVID GAMEZ, Member
Alaska Professional Design Council
Anchorage, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

CHRISTINE O'CONNOR, Executive Director
Alaska Telecom Association
Anchorage, Alaska

POSITION STATEMENT: Gave testimony during the presentation on the State of Alaska's Infrastructure.

PATSY WESTCOTT, Director
Central Office
Division of Employment and Training Services
Department of Labor and Workforce Development
Juneau, Alaska

POSITION STATEMENT: Gave testimony during the informational hearing on unemployment insurance software.

JAMES DANNER, Technical Manager
Central Office
Division of Employment and Training Services
Department of Labor and Workforce Development
Juneau, Alaska

POSITION STATEMENT: Answered questions during the informational hearing on unemployment insurance software.

ACTION NARRATIVE

[3:18:52 PM](#)

CO-CHAIR IVY SPOHNHOLZ called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Spohnholz, Fields, McCarty, and Schrage were present at the call to order. Representatives Kaufman, Nelson, and Snyder (via Teams) arrived as the meeting was in progress.

CONFIRMATION HEARING(S) :
Alaska Workers' Compensation Board

[3:20:02 PM](#)

CO-CHAIR SPOHNHOLZ announced that the first order of business would be the confirmation hearing for consideration of the governor's appointee to the Alaska Workers' Compensation Board.

[3:20:17 PM](#)

DAVE TALERICO, Appointee, Alaska Workers' Compensation Board, said he has worked in the mining industry in various positions from laborer to human resources and safety director. He said he's been heavily involved in workers' compensation issues, working with insurance and healthcare providers. He pointed out that he's a retired Teamster and he emphasized the importance of equality. He said he's been appointed to the at-large seat for labor on the board and he expressed approval of several statutes passed by the legislature.

[3:22:02 PM](#)

CO-CHAIR FIELDS commented that he's learned a lot about workplace safety from Mr. Talerico and said, "It's hard to imagine - impossible to imagine - a more qualified person."

[3:22:24 PM](#)

CO-CHAIR SPOHNHOLZ opened public testimony on the appointee to the Alaska Workers' Compensation Board. After ascertaining that no one wished to testify, she closed public testimony.

[The confirmation hearing for Mr. Talerico was resumed later in the meeting.]

INFORMATIONAL HEARING(S): State of Alaska's Infrastructure

[3:22:46 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be an informational hearing on the State of Alaska's infrastructure.

3:24:28 PM

MICHAEL PARTLOW, Capital Budget Coordinator, Division of Legislative Finance, Legislative Affairs Agency, gave a PowerPoint presentation titled "Alaska's Capital Budget" [hard copy included in the committee packet]. He explained that the capital budget is different from the operating budget; the capital budget is for the state to purchase physical items, while the operating budget covers areas necessary for keeping the business of the state going, such as personnel. The minimum amount of time allocated to a capital budget purchase is five years, he said, and a capital budget item is an allocation or appropriation for an asset with an anticipated useful life exceeding one year and a cost exceeding \$25,000. He gave examples of capital budget items including technology upgrades, new infrastructure, and land purchases. He explained that most of the capital budget comes from federal funding, undertaking projects requested by the federal government; with that comes spending priorities for the State of Alaska to meet its own needs, including the Undesignated General Fund (UGF). Examples of UGF spending, he said, include new school construction, building ferries, and community grants.

MR. PARTLOW introduced slide 2, "Historical Funding Trends," which displayed a bar graph of UGF capital budgets over the past 20 years compared to the average price per barrel of oil from the North Slope. He pointed out that the largest source of revenue for the state has historically come from oil. He said that the largest cost for the operating budget has been school funding, which can't be changed from one year to the next; capital projects, however, can be adjusted quickly. He said the legislature spends little on discretionary capital projects when oil prices are low, but when oil prices are high, capital projects that had been delayed can be started.

3:29:10 PM

MR. PARTLOW presented slide 3, "Capital Funding History," which read as follows [original punctuation provided]:

- FY60-FY15 average of \$1 billion UGF/ \$2.3b total
- Peak year FY13 with \$2b UGH/ \$3.6b total

- FY16-FY21, average \$123 million UGF/ \$1.5b total
- Large portion of spending needs covered using average \$56m of Reappropriations until FY20. Old money is much harder to find now
- \$110m match requirement on the \$1.16b in Federal funding

MR. PARTLOW presented slide 4, "Main Areas of Federal Match," which read as follows [original punctuation provided]:

- Federal-Aid Highway Match- \$71.2m match to \$680m of federal funds
- Federal-Aid Aviation State Match- \$14.7m to match \$190m of federal funds
- Village Safe Water and Wastewater Match- Infrastructure Projects \$16.2m match of \$52.3m of federal funds

MR. PARTLOW explained that the Federal-Aid Highway Match can be used for the state's transportation improvement plan and that the Federal-Aid Aviation State Match is important due to the number of small airports in the state.

[3:31:51 PM](#)

CO-CHAIR FIELDS asked whether Alaska is maxing out the federal match, or whether adding to UGF would come with additional federal matching funds.

MR. PARTLOW replied that the state is maximizing federal matching funds.

[3:32:12 PM](#)

MR. PARTLOW presented slide 5, "FY21 Capital Budget," which read as follows [original punctuation provided]:

- \$1.2 billion Capital budget with only \$120m UGF
- No funding for \$2b in deferred maintenance needs
- "1% rule" says \$97m in yearly maintenance needed for property valued at \$9.7b
- Reappropriations now down to \$9.4m before vetoes

[3:33:47 PM](#)

REPRESENTATIVE MCCARTY asked whether the state receives revenue from airports.

MR. PARTLOW responded that his understanding is that any revenue from airports is used for operating needs and basic maintenance; UGF is to match the federal money for major capital projects.

REPRESENTATIVE MCCARTY asked how much revenue airports generate.

MR. PARTLOW replied that he could find out.

REPRESENTATIVE MCCARTY expressed the belief that airports make significantly more income than what is needed for operations.

[3:36:01 PM](#)

CO-CHAIR SPOHNHOLZ pointed out that the capital budget is different from the operating budget.

[3:36:12 PM](#)

REPRESENTATIVE KAUFMAN discussed information technology (IT) improvement projects and shared his belief that IT projects that would usually be capital projects are transitioning to operating expenses as IT is increasingly hosted "on the cloud" instead of locally.

MR. PARTLOW replied that is correct. A subscription service is usually paid out of the operating budget, and there is a legal distinction between capital and operating expenses.

[3:37:43 PM](#)

CO-CHAIR SPOHNHOLZ offered that the State of Alaska uses generally accepted accounting principles (GAAP).

[3:37:54 PM](#)

REPRESENTATIVE KAUFMAN commented on the possibility of changing accounting processes within the state.

MR. PARTLOW said the distinction in this case is that the capital project would be transitioning from a physical server to a subscription service. He said that after the money has been spent for the initial transition, future expenses would fall under the operating budget, thus requiring annual appropriation.

CONFIRMATION HEARING(S) :
Alaska Workers' Compensation Board

[3:39:39 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be a return to the confirmation hearing for consideration of the governor's appointee to the Alaska Workers' Compensation Board.

CO-CHAIR SPOHNHOLZ reopened public testimony on the appointee to the Alaska Workers' Compensation Board.

[3:39:54 PM](#)

CHARLES MCKEE provided comments not on topic with the published agenda.

[3:42:38 PM](#)

CO-CHAIR SPOHNHOLZ, after ascertaining that no one else wished to testify, closed public testimony.

INFORMATIONAL HEARING(S): State of Alaska's Infrastructure
#hb104

[Contains discussion of HB 104]

[3:42:47 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be a return to the informational hearing on the State of Alaska's infrastructure.

[3:42:59 PM](#)

NILS ANDREASSEN, Executive Director, Alaska Municipal League, gave testimony during the presentation on the State of Alaska's Infrastructure. He read a statement, which read as follows [original punctuation provided]:

I want to say that Alaska's local governments own and work to maintain the majority of Alaska's public infrastructure. I can't say that outright because it requires some fact-checking, but it's plausible:

- As many road miles as the Department of Transportation
- 87% of Alaska's ports and harbors
- 75% of all schools • 47 libraries
- 37 power utilities
- The majority of water and sewer systems
- 15 jails
- 109 municipal governments are responsible for maintaining landfills

I think it's important to think about this as a starting point for this committee's consideration, and I encourage us all to think about more than what the State owns or maintains. Together, we should think about these systems of infrastructure that then overlapping layers of jurisdiction provide or contribute to. As part of this, we can think about the goals of infrastructure.

A good starting place is the Constitution - here there are clear obligations of the state to maintain a system of public education, the University system, public health, and public welfare. Public safety probably falls into the latter. Transportation and energy infrastructure falls right on the line, potentially, but squarely with economic development. Where economic development itself might be a goal, the provision of that infrastructure serves as a way to reduce the transactional costs. Essentially what we're trying to do is lower the costs of doing business in Alaska, even as we contribute to quality of life.

Those goals are probably consistent across levels of government, and at the local level infrastructure is what keeps communities whole. Ensuring access and affordability helps to maintain sustainable communities and slows outmigration. That's a major reason for localities to dedicate approximately or well more than half their budgets to maintaining this infrastructure.

I would say that local governments can't do this on their own. Infrastructure development - construction and maintenance - must be done in partnership across federal, state, tribal, and local governments. When I think of need, this becomes even more critical.

AML has estimated in recent months that Alaska's infrastructure deficit stands at about \$22 billion. That's:

- \$2.3 billion for school construction and major maintenance
- \$1.9 billion for rural water and sewer
- At least that much again for urban water and sewer
- Just for 40 or so of local governments about \$4 billion in capital needs
- Roughly \$400 million for port and harbor needs, with \$1.6 billion in planned projects
- We know that State's deferred maintenance stands at roughly \$2.7 billion
- The STIP has about \$5 billion in projections
- Improvements to community and regional jails is about \$500 million
- Broadband we can posit a low estimate of \$2 billion

That leaves things out. Energy infrastructure, for instance - we appreciate the Governor's proposal to establish an energy independence fund and to capitalize that with \$10 million. What if the need is more than \$1 billion? What about housing infrastructure, where by some measures the need to address overcrowding in Alaska's households would require a \$7 billion investment? What about childcare, where there are few funding sources available for construction of adequate facilities? For broadband, as many as 125 communities have speeds of less than 10 MBpS, when our statewide goal is 50.

Local governments are doing their part. On water and sewer, we know that between 25 communities there is a State Revolving Loan Fund debt of more than \$200 million. 16 communities are carrying \$800 million in school bond debt. Infrastructure expenditures are roughly 50% of a local government's budget. Local governments carry roughly \$3 billion in debt related to infrastructure.

At the same time, the State's making its own contributions. It has funded on average about 8% of school construction and major maintenance grants, which means that local governments are often making up the difference or these needs are unmet. The State's contribution to ports and harbors often comes through

matching grants, which have hovered around \$10 million or so a year recently, when they're included in the budget. Most importantly are the matching funds for federally funded projects. The State's match for Village Safe Water is critical to leverage federal funds. The same is true for addressing needs within the STIP.

When the State isn't able to make that investment in infrastructure - and in particular those investments that it has some responsibility for - that shifts the expectation to local governments, which then have to choose between their own competing priorities. This means making capital improvements or making a contribution to public education or public safety. It also means that a limited tax base is trying to make up for the State's, for infrastructure that's benefit may extend well beyond that community.

I'll leave you with this. It seems like two things are missing right now. First, we would recommend a way for the State to effectively track and evaluate need across the entirety of the infrastructure systems. In a lot of ways, we just haven't been able to get our arms around overall need. This makes it harder to address. Second, we would recommend a mechanism within the budget process for allocating funds to meet those needs at a level that is making a difference, and to have that as part of a long-term plan.

We encourage adequate State infrastructure investment that corresponds to the State's interest in contributing to economic development and meeting its Constitutional obligations.

[3:49:07 PM](#)

DON ETHERIDGE, American Federation of Labor-Congress of Industrial Organization (AFL-CIO), gave testimony during the informational hearing on the State of Alaska's Infrastructure. He spoke of the "boom-and-bust" cycle in Alaska, during which already-trained workers from outside the state are hired into jobs within the state, leaving again when the "bust" comes. He expressed the importance of a home-trained population and said Alaska can't afford to keep training workers from the Lower 48.

[3:51:35 PM](#)

CO-CHAIR SPOHNHOLZ expressed agreement with Mr. Etheridge's comments and expressed her view on the importance of having a sustainable budget to keep a steady supply of workers.

[3:52:27 PM](#)

DAVE O'DONNEL, Project Manager, Watterson Construction, gave testimony during the informational hearing on the State of Alaska's Infrastructure. He said he was testifying as a member of the Alaska chapter of Associated Builders and Contractors (ABC), which was founded in 1950 in Baltimore, Maryland, based on the shared belief that construction projects should be awarded to the most qualified and responsible low bidder. He described the size of ABC and pointed out that it operates one of the largest apprenticeship programs in the state. He stated that ABC supports long-term planning for capital budgets that meet Alaska's infrastructure needs and that offer relatively consistent funding. Enacting large capital budgets during election years and small budgets during non-election years makes good political sense, he said, but it doesn't make good project sense. He said the construction industry is inherently unstable, and securing work is critical; adopting a plan with a reliable, sustainable capital budget would help provide stability. He encouraged the committee to exercise restraint in making investments to stimulate the economy, as ABC doesn't believe the purpose of capital budgets should be to create job opportunities.

[3:56:04 PM](#)

CRAIG DAHL, Executive Director, Greater Juneau Chamber of Commerce, said Juneau has always been reliant on federal, state, and local government as the foundation of the local economy, and diversifying the economy has always been a challenge. He said that over 1,000 jobs, mostly state positions, have left Juneau since 2003; over the same period of time, mining and the cruise industry have made up the difference. He stated that the loss of the cruise industry in 2020 means that 30 percent of the local economy disappeared. He explained that the economic damage to Juneau, and especially to the small businesses, was "masked" by the Coronavirus Aid, Relief, and Economic Security Act of 2020 ("CARES Act") grants, U.S. Small Business Administration (SBA) loans, and the use of personal assets; however, the loss of sales taxes and employment affected everyone. "Now we're staring at the unbelievable loss of a second full cruise season," he said, "and we know this impacts

other communities in the Southeast as well as all of Alaska." He said that his remarks are meant to encourage the committee to remember that capital projects directly benefit communities and regions. The Greater Juneau Chamber of Commerce has promoted capital projects such as a road down Lynn Canal, which would connect Juneau with the rest of Alaska, as well as a second bridge to Douglas Island, which would promote future development and ensure access to emergency services. He discussed the remodel and expansion of the convention center as well as continued investment in Juneau's harbors and roads.

[4:01:14 PM](#)

REPRESENTATIVE KAUFMAN asked for the top three industries in Juneau.

MR. DAHL replied that the top three industries are mining, tourism, and government.

REPRESENTATIVE KAUFMAN asked what percentage of the economy each industry comprises.

MR. DAHL responded that the cruise industry accounts for 30 percent, government for 30 percent, and mining, with all other smaller industries, the remaining portion. He said that 10 to 15 years ago government comprised closer to 60 percent of the local economy.

[4:03:05 PM](#)

JINNEL CHOINIÈRE, Chief Executive Officer, Greater Fairbanks Chamber of Commerce, said the Alaska Interior needs good state infrastructure for commerce to flow effectively, since businesses rely heavily on highways. She discussed the need to include broadband internet access as capital infrastructure and explained that many people, even those living close to town, don't have the option of getting high speed internet, which negatively affects commerce. She said the construction industry is a significant portion of the economy in Fairbanks, noting that the federal aid match, as illustrated by Mr. Partlow during the PowerPoint presentation, is a significant part of the capital budget. Due to extreme weather, she said, any delay in receiving federal funds may result in a delay in the construction season. She stated that passing a capital budget to ensure healthy growth in the Interior is one of the priorities for Fairbanks.

[4:05:51 PM](#)

DAVID GAMEZ, Member, Alaska Professional Design Council, gave a brief overview of the American Society of Civil Engineers (ASCE) and the Alaska Professional Design Council (APDC). He said that civil engineers are responsible for clean drinking water and functioning airports, roads, dams, and ports, as well as ensuring the structural safety of hospitals and schools. He said failing infrastructure impacts not only the economy but the safety and livelihoods of all Alaskans. He said the report released by ASCE in 2017 was a comprehensive evaluation of nine infrastructure categories: airports, dams, roads, energy, ports, harbors, the marine highway system, water and wastewater, and solid waste. He said that over 40 volunteers pored over countless cumulative reports and returned a grade of C minus for Alaska's infrastructure. The common theme, he said, is that the infrastructure is aging and needs repair. He said parts of Alaska are suffering from thawing permafrost and coastal erosion, and communities are literally falling into the ocean. He noted that road and airport maintenance is being deferred due to budget cuts, there are places where people don't have access to clean drinking water, and there is a major port situated on piles "in a state of such corrosion that it's structural integrity is compromised." He said local engineers and construction companies depend on capital funding to maintain a staff qualified to design and engineer infrastructure in arctic and subarctic climates; educating, employing, and retaining professionals in engineering and architecture is integral for communities and Alaska. He discussed HB 104, which would increase the motor fuel tax to 16 cents per gallon and impose a special registration fee for electric and hybrid vehicles, and said additional measures would be necessary to generate revenue for the long term.

[4:11:10 PM](#)

REPRESENTATIVE MCCARTY mentioned the Civilian Conservation Corps during the Great Depression and asked Mr. Gamez whether he believes similar programs could be implemented to boost capital improvements and employability.

MR. GAMEZ responded that things like replacing drinking water systems are some of the things included in the plan, and high speed Internet access would create opportunities for people in more rural areas.

[4:14:23 PM](#)

CHRISTINE O'CONNOR, Executive Director, Alaska Telecom Association, informed the committee that members of the Alaska Telecom Association (ATA) are Alaska-based telecom and broadband providers. She said there is "tremendous momentum" right now in broadband infrastructure, and the infrastructure proposal by President Joe Biden includes \$100 billion dedicated to expanding broadband access over eight years. She said there is a consensus that broadband internet constitutes infrastructure and she expressed confidence that significant resources will be dedicated to Alaska, with enough funding to close the gap in access in Alaskan communities. She said distribution should be prioritized to truly underserved and unserved areas, and she characterized Alaska's congressional delegation as "well aware" of the need.

[4:17:51 PM](#)

REPRESENTATIVE MCCARTY summed up his understanding of technology infrastructure and asked how the existence of technology translates to more jobs in Alaska.

MS. O'CONNOR explained that the construction of the infrastructure needs to be "boots on the ground," and companies already have trained workers in Alaska ready to start building. She said that with so much funding ready to be funneled into broadband, there's a nationwide shortage in the fiber cable necessary for the construction.

REPRESENTATIVE MCCARTY asked whether Ms. O'Connor envisions production of fiber cables in Alaska.

MS. O'CONNOR replied that she's not aware of fiber cable being manufactured in Alaska, but that it's produced on a massive scale for worldwide markets, thereby rendering it difficult to pull a market for production into Alaska.

REPRESENTATIVE MCCARTY asked whether it's feasible to manufacture the cable within the state.

[4:21:31 PM](#)

CO-CHAIR FIELDS explained that many employers moved to remote work during the pandemic, some of them permanently. Having broadband access means having the ability to recruit and retain workers that would otherwise need to live near where their company's physical structure. With functioning broadband

infrastructure, he said, people can work for an out-of-state business while paying property taxes and eating in restaurants in Alaska. Attracting highly productive people to Alaska, he said, is the key to economic prosperity instead of investing in individual facilities.

[4:22:26 PM](#)

CO-CHAIR SPOHNHOLZ discussed the benefits of living in Alaska while working for an out-of-state company, then noted the need to improve access to broadband Internet, education, and healthcare in remote communities.

[4:23:53 PM](#)

CO-CHAIR SPOHNHOLZ commented on opportunities for the state.

INFORMATIONAL HEARING(S): Unemployment Insurance Software

[4:24:58 PM](#)

CO-CHAIR SPOHNHOLZ announced that the next order of business would be an informational hearing on unemployment insurance software.

[4:26:03 PM](#)

PATSY WESTCOTT, Director, Central Office, Division of Employment and Training Services, Department of Labor and Workforce Development, explained that the current unemployment insurance (UI) software is a system that went into production in 1994 and administers all aspects of UI. She said that the system works well under normal circumstances, but current circumstances are not typical; therefore, the system cannot easily be configured to accommodate anything other than regular UI. She explained that only one program can be implemented at a time, so every Coronavirus Aid, Relief, and Economic Security (CARES) Act program had to be built from scratch, creating programming complexities. She pointed out that UI program requirements changed midway through the pandemic, requiring changes to the program. She said the new UI software is a good fit for Alaska and will be able to respond to changes in requirements quickly and efficiently.

[4:36:27 PM](#)

REPRESENTATIVE MCCARTY asked for the name of the new software.

MS. WESTCOTT said the vendor is called Netizen and noted that Alaska's UI system will be part of a consortium with other states, which will allow Alaska to take advantage of resource leverage to ensure cost-effective implementation. She explained that, when entering into a consortium, it's important to consider the ability for smaller states to advocate for their own needs; entering into a consortium with other small states will enable the UI system in Alaska to respond efficiently to unexpected situations while maintaining fiscal responsibility.

[4:41:45 PM](#)

CO-CHAIR SPOHNHOLZ asked for a comparison of costs between purchasing a UI system and entering into a small-state consortium.

MS. WESTCOTT replied that there are no upfront costs for entering a consortium; implementing the software, along with vendor costs and fees, would be nominal.

[4:43:47 PM](#)

CO-CHAIR SPOHNHOLZ commented that many information technology (IT) systems are moving to a cloud-based model. She then asked what the approximate cost would be for fiscal year 2022.

MS. WESTCOTT replied that it would be 3 percent of the annual base grant.

CO-CHAIR SPOHNHOLZ asked how long it took the programmers to implement every change that came through the current UI program during the pandemic, and how many changes needed to be implemented.

MS. WESTCOTT responded that the CARES Act created multiple new programs which each took a minimum of eight weeks to implement. She said that the response time of the new system is two weeks.

[4:48:34 PM](#)

MS. WESTCOTT shared that the price of the new system would be approximately \$700,000 per year.

CO-CHAIR SPOHNHOLZ commented that the price is much more sustainable than the \$60 million needed to buy a new system.

[4:48:48 PM](#)

REPRESENTATIVE MCCARTY asked whether the state is under contract to the current program for a minimum amount of time. He also asked what happened to the program the state was in the process of implementing when the pandemic hit, and whether the state had committed time or funds to that program.

MS. WESTCOTT responded that the groundwork was started before the pandemic to migrate from the current system, but that there has been no cost to doing so; there is also no commitment to continue using the current program and no cost for choosing to migrate to a new system.

REPRESENTATIVE MCCARTY asked for further clarification on the programs and costs.

MS. WESTCOTT replied that the department has not committed to any new costs.

[4:51:03 PM](#)

CO-CHAIR SPOHNHOLZ explained that there has been no commitment made and that the system under discussion is the same system that was being prepped before the pandemic.

REPRESENTATIVE MCCARTY asked whether an internet-based system could facilitate easy data transfer.

MS. WESTCOTT deferred to Mr. Danner.

[4:52:27 PM](#)

JAMES DANNER, Technical Manager, Central Office, Division of Employment and Training Services, Department of Labor and Workforce Development, responded that it would take approximately a year and a half to migrate to the new system, noting that the timeframe would be the same regardless of which system was implemented.

[4:53:43 PM](#)

CO-CHAIR SPOHNHOLZ discussed House Bill 308 [passed during the Thirty-First Alaska State Legislature] under which changes were made to several areas of UI, and asked Ms. Westcott how long it took for the changes to be implemented.

MS. WESTCOTT replied that the waiting week provision was a little easier to implement than the change to the dependents allowance, which she characterized as an "extremely complex and much more difficult provision" to implement. She then deferred to Mr. Danner.

MR. DANNER answered that the changes took at least two and a half months to implement.

MS. WESTCOTT added that the current system wasn't designed to make changes to UI in the midst of disbursement or for only a specific time period. She said the new system will allow a more efficient and timely response to the types of changes experienced in the past year.

[4:58:25 PM](#)

CO-CHAIR SPOHNHOLZ asked whether the new system could also help in the reduction of errors, referring to those who received benefits and later were asked to repay the money.

MS. WESTCOTT explained that the federal guidance was that UI qualification be based on self-certification of earnings; clients would then have 21 days to provide wage documentation. If clients didn't present the information the state was required to reduce the weekly benefit amount; this resulted in overpayments. In addition, she said, because the pandemic UI program presented a nationwide opportunity for fraudulent activity, the U.S. Department of Labor (USDOL) rescinded its initial guidelines and provided new guidelines for documentation and requirements for states to adhere to, and the guidelines were to be implemented retroactively. As a result, she said, there now exists a team dedicated to reviewing every pandemic UI overpayment for accuracy, reaching out to individuals and applying the guidance that was given to the states with regard to waiving of overpayments. She said that, if an overpayment was through no fault of the individual, the team will work with the individual to arrange a waiver. She stated that the department is taking an "extremely liberal and flexible" stance on overpayments.

[5:04:25 PM](#)

CO-CHAIR SPOHNHOLZ commented that people had used UI benefits to pay rent, utilities, and groceries, then received letters saying the money needed to be repaid. She expressed that it's important to avoid making the same mistakes in the future and

also to avoid making those who are already in financial crisis repay that assistance.

MS. WESTCOTT expressed agreement.

CONFIRMATION HEARING(S) :
Board of Pharmacy
Board of Veterinary Examiners
Board of Certified Real Estate Appraisers

[5:07:33 PM](#)

CO-CHAIR SPOHNHOLZ announced that the final order of business would be confirmation hearings for consideration of the governor's appointees to the Board of Pharmacy, the Board of Veterinary Examiners, and the Board of Certified Real Estate Appraisers. [The confirmation hearings commenced on 4/12/21.]

CO-CHAIR SPOHNHOLZ stated that the House Labor and Commerce Standing Committee has reviewed the qualifications of the governor's appointees and recommends that the names be forwarded to a joint session for consideration: Justin Ruffridge, Board of Pharmacy; Rachel Bergartt, Board of Veterinary Examiners; and Mae Hayes, Board of Certified Real Estate Appraisers. She said that signing the report regarding appointments to boards and commissions in no way reflects an individual member's approval or disapproval of the appointee, and the nomination is merely forwarded to the full legislature for confirmation or rejection.

[5:08:50 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:09 p.m.